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Cases, Regulations and Statutes

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CASES, REGULATIONS AND STATUTES

by Robert P. Achenbach, Jr

BANKRUPTCY

GENERAL

PREFERENTIAL TRANSFERS. The debtor operated a commercial cattle feedlot. The debtor had secured loans from a bank and owed other creditors. The bank loan was treated as a line of credit which allowed the debtor to pay down the amount owed and make drafts on the account on a continuing basis. Over the year before the bankruptcy filing, the debtor received cattle owned by one of the owners of the debtor. The parties agreed that the debtor would feed the cattle until they reached market weight, sell the cattle at that time and pay the net proceeds to the owner. However, in several cases, the cattle proceeds were paid to the bank on the debtor's loans. The debtor would then issue a bank draft to the owner in full or partial payment of the net proceeds of the sales. The Chapter 11 trustee sought recovery of the payments made to the owner as preferential transfers. The look back period was one year for creditors who were insiders of the debtor. The debtor argued that no debtor-creditor relationship existed with the owner because the cattle were held in a bailment and the owner only received the proceeds from the sale of the owner's cattle. The court disagreed and held that, because the cattle sale proceeds were paid to the bank, the funds became commingled with other funds and lost their character as specific funds from the cattle sales. At the time the proceeds were paid to the bank, the obligation to pay the proceeds to the owner became a debtor-creditor relationship and the amounts paid to the owner became subject to the prefrential transfer rules. The court found that the payments made to the owner met the six factors of Section 547(b): (1) there must be a transfer of an interest of the debtor in property, (2) on account of an antecedent debt, (3) to or for the benefit of a creditor, (4) made while the debtor was insolvent, (5) within 90 days prior to the commencement of the bankruptcy case, (6) that left the creditor better off than it would have been if the transfer had not been made and the creditor asserted its claim in a Chapter 7 liquidation. Thus, the amounts paid to the owner were recoverable into the bankruptcy estate. **In the Matter of Big Drive Cattle, L.L.C., 2014 Bankr. LEXIS 691 (Bankr. D. Neb. 2014)**.

CHAPTER 12

LIEN AVOIDANCE. The debtor had entered into a farm rental agreement for the 2010 crop year. Under N.C. Gen. Stat. § 42-15, the landlord had a statutory lien for the rent. The lease agreement also provided for a consensual lien on the crop in favor of the landlord but the landlord did not file a financing statement to perfect the consensual lien. The debtor had paid just under one-half of the rent but was behind in payments when the debtor instructed the buyer of the 2010 crop to make all payments for the crop directly to the landlord. This paid off the loan prior to the Chapter 12 bankruptcy filing. The lease expired about five months before the bankruptcy filing. The debtor and trustee moved to avoid the lien so far as the payments made from the crop buyer. Under Section 545(3), a trustee may avoid the fixing of a statutory lien on the property of the debtor. The court held that, under the landlord's lien statute, the statutory landlord's lien existed from the date of the lease execution to the date the lease expired. Because the lease was paid in full and expired months before the filing of the bankruptcy case, there was no lien as of the bankruptcy filing date and Section 545 could not be applied to recover the crop proceeds paid to the landlord. ***In re* Godley, 2014 Bankr. LEXIS 483 (Bankr. E.D. N.C. 2014)**.

FEDERAL TAX

DISCHARGE. The debtor was convicted of conspiracy to defraud the United States and for attempted tax evasion for 1995-1996 and 1998-2000. The debtor filed for Chapter 7, received a discharge and filed this case to have the taxes for those year declared discharged in the Chapter 7 case. The debtor focused on the conviction ruling which referred to evasion of taxes by filing fraudulent returns, the court held that the debtor's actions were an attempt to evade payment of the taxes both by failing to file returns and by filing fraudulent returns; therefore, the taxes were nondischargeable. ***In re* Sigerseth, 2014-1 U.S. Tax Cas. (CCH) ¶ 50,210 (Bankr. N.D. Calif. 2014)**.

EXEMPTIONS.

EARNED INCOME TAX CREDIT. The Chapter 7 debtor claimed an exemption under Kan. Stat. § 60-2315 for state and federal earned income tax credits. The trustee challenged the exemption using the trustee's avoidance powers under Section 544. The trustee argued that the exemption was unconstitutional because it applied only to debtors in bankruptcy. The court held that the trustee's avoidance powers were available only as to estate property and that exempt property was removed from the bankruptcy estate; therefore, the exempt property was not subject to recovery by the trustee. ***In re* Murray, 2014-1 U.S. Tax Cas. (CCH) ¶ 50,200 (Bankr. 10th Cir. 2014), *aff'g*, 2013-1 U.S. Tax Cas. (CCH) ¶ 50,309 (D. Kan. 2013)**.

FIRST TIME HOMEBUYER'S CREDIT. The debtor had purchased a home and received the first time homebuyer's credit on a pre-petition income tax return. The taxpayer received a discharge in the Chapter 7 bankruptcy. The taxpayer sought to have the obligation to repay the first time homebuyer's credit declared discharged in the case. The taxpayer argued that the credit was actually a loan and the subsequent assessments to repay the credit were loan repayments discharged in the bankruptcy case. The court noted that I.R.C. § 36(f)(1) refers to the payment as an increase on the income tax of 6.67 percent per year for 15 years; therefore, the repayments were not loan repayments but assessments of tax not discharged in the bankruptcy case. ***In re* Bryan, 2014-1 U.S. Tax Cas. (CCH) ¶ 50,198 (Bankr. N.D. Calif. 2014)**.

FEDERAL FARM PROGRAMS

2014 FARM BILL. The FSA has announced that, in preparing to implement the Agricultural Act of 2014, the FSA is hosting a listening session for initial public input about the new programs and changes to existing programs for which the Farm Service Agency and the Risk Management Agency have been delegated the authority to implement. The listening session will be on March 27, 2014, and will begin at 9:00 a.m. and is scheduled to end by 5:00 p.m. Participants must register by March 15, 2014, to attend the listening session and to provide oral comments during the listening session. **79 Fed. Reg. 14472 (March 14, 2014)**.

FARM STORAGE LOANS. The CCC has adopted as final regulations amending the Farm Storage Facility Loan (FSFL) Program regulations to increase the loan amount, for which additional security or a severance agreement is required, from $50,000 to $100,000. **79 Fed. Reg. 13189 (March 10, 2014)**

FEDERAL ESTATE AND GIFT TAXATION

INCOME IN RESPECT OF DECEDENT. The decedent and surviving spouse originally purchased the U.S. Series I savings bonds using community property funds. Each bond was held in a TreasuryDirect account and registered with two owners: either (1) the decedent and one other person, or (2) the surviving spouse and one other person. The bonds were re-registered in the name of a trust. The trust provided that upon the death of either the decedent or the surviving spouse, survived by the other, the trustee shall divide the trust into two trusts, a survivor's trust and a decedent's trust. The trust further provided that the trustee of the decedent's trust shall distribute the assets of that trust to the trustee of the survivor's trust, unless the surviving spouse makes a qualified disclaimer (as defined in I.R.C. § 2518), in which case the trustee of the decedent's trust shall hold this disclaimed interest in further trust. The initial trust and the survivor's trust were grantor trusts under I.R.C. § 676. The decedent's trust was not a grantor trust. Since the decedent's death, the trustee of the decedent's trust, had established a second TreasuryDirect account in the name of the decedent's trust. The trustee intended to make a qualified disclaimer under the terms of the trust with respect to the decedent's share of the bonds, with the result that the decedent's share of the bonds remained in the decedent's trust and were transferred to the TreasuryDirect account. The decedent's final tax return did not include any interest earned on the bonds prior to the decedent's death. The decedent's trust used the cash method of accounting and did not report the interest on the bonds annually. The IRS ruled that (1) the interest earned on the bonds up to the date of the decedent's death was income in respect of decedent; (2) if the decedent's trust may defer reporting interest income on the bonds until the bonds are disposed of, redeemed, or reach final maturity, whichever is earlier; (3) any interest that the decedent's trust reports and distributes currently to the beneficiaries of the decedent's trust will have the same character in the hands of the beneficiaries as in the hands of the decedent's trust; and (4) upon the death of the surviving spouse, and the distribution by the decedent's trust to its beneficiaries of any remaining non-matured bonds pursuant to the terms of the decedent's trust, the decedent's trust will not recognize any taxable income on this distribution and the beneficiaries may defer reporting the accrued interest on the bonds until the bonds are disposed of, redeemed, or reach final maturity, whichever is earlier. **Ltr. Rul. 201409001, July 10, 2013**.

MARITAL DEDUCTION. The taxpayer and spouse had entered into a prenuptial agreement which provided for the spouse to receive a certain sum upon the death of the taxpayer if the couple were still married at the time of the taxpayer's death. The spouse was also to receive an interest in trust in a portion of the taxpayer's estate if the couple were married at least 10 years at the time of the taxpayer's death. The taxpayer created two trusts, a revocable trust and a marital trust. Both trusts provided for distributions to the spouse, if the couple were married, at the death of the taxpayer. However, the spouse could elect to receive either distributions under the trusts' provisions or a certain sum, with the remainder held in the marital trust. The marital trust received income interests for life in units of a limited liability company (LLC). The units were entitled to a set annual return and the spouse had the ability to sell the units. The IRS ruled that the spousal election did not make the spouse's interest in the trusts terminable and ineligible for the marital deduction. The IRS also ruled that the spouse held a qualifying interest in the LLC units held in the marital trust. **Ltr. Rul. 201410011, Nov. 9, 2013**.

PORTABILITY. The decedent died, survived by a spouse, on a date after the effective date of the amendment of I.R.C. § 2010(c), which provides for portability of a "deceased spousal unused exclusion" (DSUE) amount to a surviving spouse. To obtain the benefit of portability of the decedent's DSUE amount to the spouse, the decedent's estate was required to file Form 706, *United States Estate (and Generation-Skipping Transfer) Tax Return*, on or before the date that is 9 months after the decedent's date of death or the last day of the period covered by an extension. The decedent's estate did not file a Form 706 to make the portability election. The estate discovered its failure to elect portability after the due date for making the election. The spouse, as executrix of the decedent's estate, represented that the value of the decedent's gross estate is less than the basic exclusion amount in the year of the decedent's death and that during the decedent's lifetime, the decedent made no taxable gifts. The spouse requested an extension of time pursuant to Treas. Reg. § 301.9100-3 to elect portability of the decedent's DSUE amount pursuant to I.R.C. § 2010(c)(5)(A). The IRS granted the estate an extension of time to file Form 706 with the election. **Ltr. Rul. 201410013, Nov. 13, 2013**.

FEDERAL INCOME TAXATION

BARTERING INCOME. The IRS has published information about bartering income. *Barter exchanges*. A barter exchange is an organized marketplace where members barter products or services. Some exchanges operate out of an office and others over the internet. All barter exchanges are required to issue Form 1099-B, *Proceeds from Broker and Barter Exchange Transactions*. The exchange must give a copy of the form to its members who barter and file a copy with the IRS. *Bartering income*. Barter and trade dollars are the same as real dollars for tax purposes and must be reported on a tax return. Both parties must report as income the fair market value of the product or service they get. *Tax implications*. Bartering is taxable in the year it occurs. The tax rules may vary based on the type of bartering that takes place. Barterers may owe income taxes, self-employment taxes, employment taxes or excise taxes on their bartering income. *Reporting rules*. If a taxpayer is in a trade or business, the taxpayer normally reports income from bartering on Form 1040, Schedule C, Profit or Loss from Business. For more information, see the Bartering Tax Center in the business section on irs.gov. **IRS Tax Tip 2014-26**.

CHARITABLE DEDUCTIONS. Several members of a family owned interests in a partnership. The partnership made three bargain sales of easements on several properties owned by the partnership. The easements were valued by comparing value of the use of the property as rural residences over the value of the property used for farming. The difference was claimed as a charitable deduction with each partner's share claimed as a charitable deduction. The IRS disallowed the deductions because, under North Dakota law, N. D. Cent. Code § 47-05-02.1, easements were limited to no more than 99 years. The IRS argued, and the court agreed, that this limitation restricted the duration of the taxpayers' easements; therefore, the easements were not granted in perpetuity as required by I.R.C. § 170(h)(2)(C). The court noted that 99 years was not a remote possibility given that the limit was set by state law. Thus, the court upheld the disallowance of the charitable deduction for the easements. **Wachter v. Comm'r, 142 T.C. No. 7 (2014)**.

CONSERVATION EASEMENTS. The taxpayers, husband and wife, granted a conservation easement in land to a charitable organization in 2004 and received conservation income tax credits from Colorado. The taxpayers sold most of the tax credits and reported the proceeds as short-term capital gains, using a basis of the expenses related to the creation of the easement. The IRS assessed a deficiency based on re-characterization of the proceeds as ordinary income and reduction of the basis to zero. The court held that the proceeds of the sale were taxed as short term capital gains because the tax credits were not one of the exceptions listed in I.R.C. § 1221 and the proceeds were not received in substitution for a right to ordinary income. The gains were short-term because the holding period of the tax credits did not include the holding period for the land. The court also held that the expenses of creating the conservation easements did not create any tax basis for the tax credits sold because the taxpayers did not acquire the tax credits by purchase. The appellate court affirmed. **Esgar Corp. v. Comm'r, 2014-1 U.S. Tax Cas. (CCH) ¶ 50,207 (10th Cir. 2014),** ***aff'g sub. nom.*****, Tempel v. Comm'r, 136 T.C. 341 (2011)**.

DEPENDENTS. The taxpayer was married and had a stepdaughter, the daughter of the spouse, who attended and lived at college most of the year. The step-daughter financed the college education through education loans. The taxpayer filed as head of household and claimed the step-daughter as a dependent, education credits, earned income tax credit and American Opportunity Credit, based on the step-daughter as a dependent. The taxpayer did not present evidence of the amount of support provided for the step-daughter nor the amount of support received by the step-daughter; therefore, the court held that the step-daughter was not a qualifying child and the taxpayer was not entitled to file as head of household, claim the step-daughter as a dependent, claim education credits, claim earned income tax credit and claim the American Opportunity Credit. **Burse v. Comm'r, T.C. Summary Op. 2014-21**.

GAMBLING LOSSES. The taxpayer was a CPA who also was engaged in horse race betting as a professional gambler. Each year, the taxpayer reported the winnings and losses on Schedule C, almost always with a net loss. The taxpayer offset the gambling losses against the CPA profits, usually decreasing the taxable income to zero. The IRS disallowed the offset of net gambling losses, citing I.R.C. § 165(d) which limits deductions for gambling losses to the amount of gambling winnings. The taxpayer argued that the rule in I.R.C. § 165(d) should be overturned because of the change in stature of gambling in modern society where legal gambling is widespread. The court refused to find that I.R.C. § 165(d) unconstitutional under the equal protection clause. The taxpayer also argued that the racetrack "takeout" from the wagers made in parimutuel wagering on horse races was a non-gambling loss. Again, the court refused to approve of the taxpayer's argument, holding that the "takeout" was not a business expense because the "takeout" did not satisfy any obligation of the taxpayer, but was merely a reduction in the potential winnings from the wagers. **Lakhani v. Comm'r, 142 T.C. No. 8 (2014)**.

HEALTH CARE COSTS. The IRS has published information about taxation of health care costs and benefits. In general, the rules depend upon three main factors, employment, tax favored health plans and age. (1) *Employment Status*. If a taxpayer is employed, the employer may report the value of the health insurance provided on the taxpayer's W-2 in Box 12 with Code DD. However, it is not taxable. If a taxpayer is self-employed, the taxpayer can deduct the cost of health insurance premiums, within limits, on the income tax return. (2) *Tax Favored Health Plans*. If a taxpayer has a health flexible spending arrangement (FSA) at work, money the taxpayer put into it normally reduces taxable income. If the taxpayer has a health savings account (HSA) at work, money the employer puts into it for the taxpayer, within limits, is not taxable. Money the taxpayer puts into an HSA usually counts as a deduction and can lower taxes. Money the taxpayer takes from an HSA to use for qualified medical expenses is not taxable income; however, withdrawals for other purposes are taxable and can even be subject to an additional tax. If the taxpayer has a health reimbursement arrangement (HRA) at work, money the taxpayer receives from it is generally not taxable. (3) *Age*. If the taxpayer is age 65 or older, the threshold for itemized medical deductions remains at 7.5 percent of Adjusted Gross Income (AGI) until 2017; for others the threshold increased to 10 percent of AGI in 2013. **HCTT-2014-05**.

OFFERS IN COMPROMISE. When submitting an Offer in Compromise, taxpayer should use the January 2014 versions of Form 656-B, *Offer in Compromise Booklet*, and Form 656, *Offer in Compromise*. The OIC user fee has increased from $150 to $186 in January 2014. IRS will return applications submitted on older versions of the form with the old user fee. **e-News for Tax Professionals Issue 2014-10**.

PARTNERSHIP

PARTNER EXPENSES. The taxpayer was a partner in a law firm partnership. The taxpayer claimed deductions for various unreimbursed indirect expenses incurred as part of the partnership activities, including travel, meals, entertainment, automobile expenses, vehicle rental, professional organizations, continuing legal education and state bar membership expenses. The court acknowledged that indirect partnership expenses were deductible if there was an agreement among the partners that a partner was required to pay such partnership expenses without reimbursement. The court held that the travel, meals and entertainment expenses were not deductible because the expenses were reimbursable under the partnership agreement and the taxpayer failed to show that any reasonable expense was denied reimbursement by the partnership. The automobile expenses were also denied because the taxpayer failed to provide substantiation for those expenses. The appellate court affirmed in a decision designated as not for publication. **McLauchlan v. Comm'r, 2014-1 U.S. Tax Cas. (CCH) ¶ 50,203 (5th Cir. 2014), *aff'g*, T.C. Memo. 2011-289**.

SMALL PARTNERSHIPS. The taxpayer was a partner in a partnership during 1990 through 1992. In 1992, the taxpayer discovered that another partner had embezzled funds from the partnership and failed to file a partnership return, resulting in the taxpayer's overpayment of taxes for 1990-1992. Over the following years, the taxpayer sought to resolve the issue with the IRS and filed a partnership return in 2008 which included a claim for a refund of the overpaid taxes. The IRS denied the request as untimely filed because the partnership was a small partnership subject to the limitation of I.R.C. § 6511(a). The taxpayer argued that the partnership was a TEFRA partnership subject to I.R.C. §§ 6229 and 6230 which do not have a limitation period for filing refund claims. The court agreed that, where no partnership return has been filed, I.R.C. §§ 6229 and 6230 allow a refund claim at any time for a TEFRA partnership. The taxpayer cited the Internal Revenue Manual as authority for the position that a partnership could not qualify as a small partnership if the partners do not have the same share of all partnership items, the "same share rule." The taxpayer argued that the embezzlement of the other partner changed the shares of the taxpayer in partnership income from 50 percent to zero. The court held that the same share rule was to be determined by the partnership agreement and not by the actions of the partners during the partnership year; therefore, because the partnership agreement provided for a 50 percent share of all partnership items, the same share rule was met and the partnership qualified as a small partnership and was subject to a three year limitation period for filing a refund claim. **Waterman v. United States, 2014-1 U.S. Tax Cas. (CCH) ¶ 50,202 (S.D. Ohio 2014)**.

PASSIVE INVESTMENT LOSSES. The taxpayer was married and owned a rental property. The taxpayer filed under the married filing separately status and claimed a loss from the rental property of $29,000. Although the taxpayer admitted that the taxpayer did not meet any of the material participation requirements of I.R.C. § 469(c)(7)(B), the taxpayer argued that the taxpayer's spouse's time involvement in the rental property did meet the requirements and should be attributed to the taxpayer. The court disagreed, holding that, where a taxpayer files under the status of married filing separately, the time spent on the rental activity by a spouse is not attributed to the taxpayer. **Oderio v. Comm'r, T.C. Memo. 2014-39**.

The taxpayers, husband and wife, owned two rental properties, one about 130 miles from their residence and the other in another state. The second property was managed by a rental agency but the husband performed all the necessary activities for the in-state property. The taxpayers provided a calendar of the husband's activities on the real estate and investment activities and two logs created from the calendar. The taxpayer did not provide any supporting documents for the entries on the calendar or logs. The court noted that, even if all the hours listed were accepted as true and were greater than 750 hours per year, the husband still did not work more hours on the rental and investment activities than the husband did on employment for another company; therefore, the husband did not meet the requirements of I.R.C. § 469(c)(7) as a real estate professional and the losses from the properties were passive losses. **Almquist v. Comm'r, T.C. Memo. 2014-40**.

PENSION PLANS. For plans beginning in March 2014 for purposes of determining the full funding limitation under I.R.C. § 412(c)(7), the 30-year Treasury securities annual interest rate for this period is 3.66 percent. The 30-year Treasury weighted average is 3.45 percent, and the 90 percent to 105 percent permissible range is 3.11 percent to 3.63 percent. The 24-month average corporate bond segment rates for March 2014, without adjustment by the 25-year average segment rates are: 1.20 for the first segment; 4.06 for the second segment; and 5.10 for the third segment. The 24-month average corporate bond segment rates for March 2014, taking into account the 25-year average segment rates, are: 4.43 for the first segment; 5.62 for the second segment; and 6.76 for the third segment. **Notice 2014-16, I.R.B. 2014-14**.

QUARTERLY INTEREST RATE. The IRS has announced that, for the period April 1, 2014 through June 30, 2014, the interest rate paid on tax overpayments remains at 3 percent (2 percent in the case of a corporation) and for underpayments remains at 3 percent. The interest rate for underpayments by large corporations remains at 5 percent. The overpayment rate for the portion of a corporate overpayment exceeding $10,000 remains at 0.5 percent. **Rev. Rul. 2014-11, I.R.B. 2014-14.**

SALE OF RESIDENCE. The taxpayers, husband and wife, owned an apartment which they used as their principal residence.

The taxpayers purchased a neighboring apartment and did not remodel the apartment to connect the two apartments. The second apartment was rented out to various tenants and during the five years prior to sale of the apartment, the apartment was rented to the taxpayers' adult son and family. The rent was listed on Schedule E. The taxpayers' argued that the time the apartment was not rented plus the time the apartment was rented to their son exceeded two of the five years prior to the sale; therefore, they were entitled to exclude the gain from the sale of the apartment. The court disagreed and held that the time the apartment was rented to the son was not a time when the apartment was used by the taxpayers as part of their principal residence; therefore, the sale was not eligible for the I.R.C. § 121 exclusion. **Cohen v. United States, 2014-1 U.S. Tax Cas. (CCH) ¶ 50,197 (S.D. N.Y. 2014)**.

SMALL BUSINESS HEALTH CARE TAX CREDIT. The Small Business Health Care Tax Credit helps small businesses and tax-exempt organizations pay for health care coverage they offer their employees. A small employer is eligible for the credit if it has fewer than 25 employees who work full-time, or a combination of full-time and part-time. For example, two half-time employees equal one employee for purposes of the credit. For 2013, the average annual wages of employees must be less than $50,000, and the employer must pay a uniform percentage for all employees that is equal to at least 50 percent of the premium cost of the insurance coverage. The maximum credit is 35 percent of premiums paid for small business employers and 25 percent of premiums paid for small tax-exempt employers such as charities. A small business employer who did not owe tax during the year can carry the credit back or forward to other tax years. For small tax-exempt employers, the credit is refundable so long as it does not exceed the employer's income tax withholding and Medicare tax liability. **HCTT 2014-08**.

PROPERTY

RAILROAD RIGHT OF WAY. The defendant purchased land from the U.S. Government in 1976 under a land patent. The patent was granted subject to a railroad right of way which had been granted under the General Railroad Right-of-Way Act of 1875. The successor grantee of the right of way abandoned the right of way in 2004 and the United States brought an action to quiet title in the right of way strip in the United States. The defendant argued that the abandonment of the right of way extinguished the easement and vested title in the defendant. The United States argued that it retained a reversionary interest in the right of way. The U.S. Supreme Court disagreed and noted that, in *Great Northern Railway Co. v. United States, 315 U. S. 262 (1942)*, the United States had argued the opposite position that right of ways granted under the 1875 Act were simple easements which were extinguished upon abandonment by a railroad. The Court refused to overturn that earlier decision and held that the defendant had full title to the right of way land. **Brandt Revocable Trust v. United States, 2014 U.S. LEXIS 1788 (2014), *rev'g*, 2012 U.S. App. LEXIS 19058 (10th Cir. 2012)**.

IN THE NEWS

TAX REFORM ACT OF 2014. Ways and Means Committee Chairman Dave Camp introduced tax legislation proposing the following changes: *Tax Rates*. The legislation would reduce individual tax rates to two brackets of 10 and 25 percent and reduce the corporate rate to 25 percent. *Standard Deduction*. The legislation would provide a inflation-adjusted standard deduction of $11,000 for individuals and $22,000 for married couples. Child Tax Credit. The legislation would increase the child tax credit to $1,500 per child, adjust it for inflation and expands the number of families that can claim the credit. *Taxation of Investment Income*. The legislation would tax long-term capital gains and dividends as ordinary income, but exempt 40 percent of such income from tax. *AMT*. The legislation would repeal the Alternative Minimum Tax for individuals, pass-through businesses and corporations. *R&D Incentive* The legislation would make permanent an improved research & development tax credit. *Healthcare*. The legislation would repeal the medical device tax and (2) repeal the medicine cabinet tax, which prohibits use of funds from tax-free accounts to purchase over-the-counter medication without first obtaining a prescription. *Simplification for Seniors* The legislation would require the IRS to develop a simple tax return to be known as Form 1040SR, for individuals over the age of 65 who receive common kinds of retirement income like annuity and Social Security payments, interest, dividends and capital gains. *Charitable Giving*. The legislation would make permanent conservation easement incentives, simplify exempt organization taxes and sets a floor instead of a cap to the amount of donations that can be deducted. **House Ways and Means Committee Press Release: "Camp Releases Tax Reform Plan to Strengthen the Economy and Make the Tax Code Simpler, Fairer and Flatter," Feb. 26, 2014. 2014ARD 041-7**

AGRICULTURAL TAX SEMINARS

by Neil E. Harl

On the back cover, we list the agricultural tax seminars coming up in the spring of 2014. Here are the cities and tentative dates for the seminars later this summer and fall 2014:

June 23-24, 2014 - Parke Regency, Bloomington, IL
June 25-26, 2014 - Hilton Garden Inn, Indianapolis, IN
August 25-26, 2014 - Quality Inn, Ames, IA
August 27-28, 2014 - Holiday Inn, Council Bluffs, IA
September 4-5, 2014 - Hotel TBA, Moravia, IA
September 15-16, 2014 - Hotel TBA, Moorhead, MN
September 18-19, 2014 - Hotel TBA, Sioux Falls, SD
October 2-3, 2014, Holiday Inn, Rock Island, IL
October 6-7, 2014 - Clarion Inn, Mason City, IA
October 13-14, 2014 - Hotel TBA, Wichita, KS
November 24-25, 2014 - Adam's State Univ., Alamosa, CO

Each seminar will be structured the same as the seminars listed on the back cover of this issue. More information will be posted on www.agrilawpress.com and in future issues of the *Digest*.